

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 90-205-C - ORDER NO. 90-907 ✓  
SEPTEMBER 18, 1990

IN RE: Petition of Horry Telephone       )  
Cooperative, Inc. for an                )  
increase in its authorized                )  
rate of return.                            ) ORDER INCREASING  
  ) AUTHORIZED RATE  
  ) OF RETURN

On April 12, 1990, Horry Telephone Cooperative, Inc. (the Petitioner) filed a Petition with the Public Service Commission of South Carolina (the Commission) requesting an increase in its authorized rate of return on rate base. The Petitioner is not seeking any adjustments in its basic rates and charges. The Petition was filed pursuant to R.103-830 et seq. of the Commission's Rules of Practice and Procedure and S.C. Code Ann. Section 58-9-10 et seq. (1976), as amended.

By letter dated April 26, 1990, the Commission's Executive Director instructed the Petitioner to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas, once a week for two consecutive weeks. The purpose of the Notice of Filing was to inform interested parties of the nature of the Petition and the manner and time in which to file the appropriate pleadings for participation in the proceeding. Thereafter, the Petitioner provided the Commission with proof of publication of

the Notice of Filing. No Petition to Intervene or Protest was filed with the Commission.

On August 22, 1990, at 10:30 a.m., a public hearing was commenced in the Commission's Hearing Room, the Honorable Marjorie Amos-Frazier, presiding. M. John Bowen, Jr., Esquire, represented the Petitioner, and H. Clay Carruth, Staff Counsel, represented the Commission Staff.

The Petitioner presented the testimony of Max R. Whitehurst, a Certified Public Accountant, in support of its Petition. The purpose of witness Whitehurst's testimony was to sponsor certain accounting exhibits, explain certain adjustments to reflect known and measurable changes, and to explain the need for modification of the rate of return currently authorized for the Petitioner by the Commission. The Commission Staff presented the testimony of Steve W. Gunter of the Commission's Accounting Department as to the rate of return on rate base of the Petitioner.

Witness Whitehurst testified that the Petitioner is requesting the Commission to authorize a rate of return on rate base in the range of 13%. In his opinion, a range including 13% would be a reasonable rate of return on investment for the Petitioner in view of the rates of return currently authorized for similar utilities.

The Petitioner's present authorized rate of return on rate base is 9.66%. This was found to be a fair and reasonable rate of return for the Petitioner in Order No. 87-557. In that

proceeding, the Commission did not determine or authorize a rate of return on equity. In rate matters dealing with small independent telephone cooperatives, the Commission has found it appropriate to determine a rate of return on investment and not equity. (See, Order No. 87-557 dated May 29, 1987 in Docket No. 86-292-C, Application of Horry Telephone Cooperative, Inc. for authority to alter its rate structure by altering certain local service and non-recurring charges, altering its rates of depreciation and altering the rate of interest paid on subscriber deposits).

Mr. Whitehurst's Exhibit A (of Hearing Exhibit No. 1) used the Commission Staff's compliance audit results for the Petitioner's per book figures. The compliance audit was conducted by Staff during January 29 - February 2, 1990, utilizing a test year ending September 1989. The Petitioner adopted the results of Staff's compliance audit.

Staff Witness Gunter provided the Commission with the rate of return on rate base of Horry Telephone Cooperative, Inc. Staff calculated such rate of return using the Petitioner's per book numbers adjusted for known and measurable changes to such numbers. Based on the results of Staff's accounting and pro forma adjustments, the rate of return on rate base went from 14.16% on per book operations to 12.56% for adjusted operations.

Based on the Commission's review of the record and the evidence presented, the Commission makes the following findings:

1. That Horry Telephone Cooperative, Inc. is a South Carolina corporation owning and operating equipment and facilities for the transmission of intelligence for hire in this State is a "telephone utility" within the meaning of S.C. Code Ann. Section 58-9-10(6) (1976) whose intrastate operations are subject to the jurisdiction of this Commission.

2. That the Petitioner's present authorized rate of return on rate base of 9.66% was approved by the Commission in Order No. 87-557, issued May 29, 1987 in Docket No. 86-292-C.

3. That the Commission Staff's audit report shows that the Petitioner's rate of return on rate base after Staff's accounting and pro forma adjustments is 12.56% based on the twelve months ending September 30, 1989.

4. That in Response to Staff's audit report, the Petitioner, in a letter dated April 3, 1990, stated that it would seek an increase in its authorized rate of return on rate base.

5. That the Petitioner filed a Petition on April 12, 1990 with the Commission seeking to increase its authorized rate of return on rate base.

6. That the Petitioner alleges that a fair and reasonable rate of return which it should have the opportunity to earn on its rate base devoted to the discharge of its public duties is in the range of 13%.

7. That the Petitioner is seeking an increase only in its authorized rate of return on rate base and that no adjustments in its rates and charges for basic local telephone service are being sought by the Petitioner.

8. That because the Petitioner is a small, independent telephone cooperative, the Commission should not make a determination as to the appropriate capital structure of the Petitioner or authorize a rate of return on equity (See, Order No. 87-557, supra).

9. That the Petitioner's present authorized rate of return of 9.66% does not provide it an opportunity to earn a fair rate of return on its rate base in comparison with other utilities in like or similar circumstances.

10. That in comparison with other utilities in like or similar circumstances, a fair and reasonable rate of return on rate base for the Petitioner is 13%.

11. That this increase in the Petitioner's authorized rate of return on rate base will not affect its present rates and charges.

12. That a rate of return on rate base of 13% will allow the Petitioner to meet its statutory requirements to provide adequate, efficient, and reasonable service, to provide a return to the Petitioner's members commensurate with returns on investments in other enterprises with corresponding risks, and to assure confidence in the financial integrity of the Petitioner.

IT IS THEREFORE ORDERED:

1. That Horry Telephone Cooperative, Inc. is hereby granted the opportunity to earn an authorized rate of return of 13% on its South Carolina rate base.

2. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)